



HF 2455 – City Financial Examination Requirements (LSB 5366HV)
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Fiscal Note Version – New

Description

House File 2455 requires cities with a population of less than 2,000 and budgeted gross expenditures of \$1.0 million or more in two consecutive fiscal years to submit to an examination conducted by the Auditor of State or a certified public accountant chosen by the city during the second budgeted fiscal year.

The Bill further requires cities with a population of less than 2,000 and budgeted gross expenditures of less than \$1.0 million to submit to periodic examinations by the Auditor of State or a certified public accountant employed by the Auditor of State. The Bill requires a city subject to such periodic examination requirements to be examined at least once during an eight-year period at a time determined by the Auditor of State.

The Bill requires the Auditor of State to establish and collect a periodic examination fee to be paid by all cities not subject to an annual audit or required fiscal year examination, and requires the fees to be maintained in a segregated account that is not subject to reversion to the State General Fund or any other fund. The Bill requires the Auditor of State to base such fees on a sliding scale based upon a city's budgeted gross expenditures to produce total revenue of not more than \$375,000 in a fiscal year. The Bill provides fees collected in excess of \$375,000 to be used to provide municipal financial management training to city officials. The Bill requires the cost of conducting the periodic examinations to be paid by the Auditor of State from the segregated account.

The Bill also requires the Auditor of State to report by January 15 of each year to the General Assembly's standing committees on government oversight on the status of the segregated account created for the conduct of periodic examinations and on the status of the required fiscal year examinations and periodic examinations of cities.

The Bill may include a State mandate as defined in [Iowa Code section 25B.3](#). The Bill makes [Iowa Code section 25B.2\(3\)](#) inapplicable, thus eliminating an exemption to the State mandate due to cost. Therefore, political subdivisions are required to comply with any State mandate included in the Bill.

Background

Current law requires cities with populations of 700 or more and less than 2,000 to be examined once every four years. Cities with no statutory audit requirement may be audited or examined as determined by the city or upon a taxpayer petition.

Assumption

The Auditor of State will establish the fee structure to produce the \$375,000 revenue limit established in this Bill.

Fiscal Impact

There is no impact to the State General Fund.

[House File 2455](#) will increase fees to cities by an estimated \$375,000 annually to be deposited in a segregated account in the office of the Auditor of State. The Auditor will expend the fee revenue each fiscal year for the cost of conducting audits or examinations of those cities and the payment of certified public accountants employed by the Auditor of State to conduct audits and examinations.

Source

Auditor of State

/s/ Holly M. Lyons

April 2, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
